



init

innovation in traffic systems
Aktiengesellschaft, Karlsruhe



Annual Financial Statement
according to German Commercial Code

Cash Desk
Kassen



Status report at December 31, 2001
init - innovation in traffic systems AG, Karlsruhe

Abstract

init AG is the management holding of the init group and thus is not involved in any operational activities. init AG manages the operational companies of the group and is responsible for strategic planning and risk management. Accounts department, controlling, human resources and investor relations were also transferred from INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH (INIT GmbH) to init AG.

Business development and situation

The financial year 2001 was enhanced by the IPO. Despite of the bearish markets, init was able to place its shares on the market for 5,1 Euro, a net flotation proceed of DM 16 million. With going public the stage was set for financing future growth. In addition the recognition of the company was raised.

The revenue of the init AG amounts to TDM 673 and was primarily obtained by cost transfer to INIT GmbH. The annual deficit of TDM 4.577 is stamped by the expenses of the IPO which amounts to TDM 4.064. Furthermore non-recurring costs for consulting and notarial acts in conjunction with capital increases arised. A portion of the flotation proceed (TDM 4.433) was used to purchase external partners' shares in INIT Inc., USA (18%) and INIT GmbH (14,8%) . In addition 82% of the shares in INIT Inc., USA were taken over by INIT GmbH (TDM 1.007). Therewith init AG holds 100% of the shares in INIT GmbH and 100% of the shares in INIT Inc., USA.

init AG employed 14 people by the end of the year.

Outlook

Due to the economic, financial and administrative integration of INIT GmbH a profit-pooling contract is projected, by what the expected profit of INIT GmbH in 2002 can be absorbed by the forward carried loss of init AG.

With the income from the cost transfer for services and the income from interest init AG will be able to compensate, the expenses for the General Meeting and the increased reporting duties in 2002. So that without consideration of payments from investments an even result can be expected for the financial year 2002.

Risks of the future development of init AG are dependent on the risks in the operational subsidiaries. In this field the market's growth could, despite of the granted subsidies and the declared political intention to improve the public transportation systems, be negatively affected by retardation or cancellation of investment projects of the public authorities.

Technologies in the field of telematics subject to quick changes. Because of this it is important to bring new products at the right time to the market and to monitor the technical advances in the market in order to catch up with the development.

Karlsruhe, February 22, 2002

Managing Board



Dr. Gottfried Greschner



Bernhard Smolka



Achim Becker



Wolfgang Degen

init - innovation in traffic systems Aktiengesellschaft, Karlsruhe
Balance sheet as of December 31, 2001

ASSETS	Appendix No.	31.12.2001 DM	31.12.2000 TDM
A. NON_CURRENT ASSETS			
I. Financial investments	III. 1		
1. Shares in affiliated companies		20.198.872,37	0
2. Loans to affiliated companies		3.000.000,00	0
		23.198.872,37	0
B. CURRENT ASSETS			
I. Receiveables and other assets	III. 2		
1. Trade accounts receivable		2.495,64	0
2. Accounts receivable from affiliated companies		571.373,82	0
3. Other assets		284.381,56	6
		858.251,02	6
II. Securities			
1. Other securities		4.961.312,05	0
III. Credit balances at banks		5.100.954,28	378
C. PREPAID EXPENSES			
		62.749,54	0
		34.182.139,26	384

LIABILITIES AND SHAREHOLDERS' S EQUITY		Appendix	31.12.2001	31.12.2000
		No.	DM	TDM
A.	SHAREHOLDERS' S EQUITY	III. 3		
I.	Subscribed capital		19.558.300,00	391
II.	Additional paid-in capital		18.427.585,75	0
III.	Accumulated loss		-4.609.652,48	-32
			33.376.233,27	359
B.	ACCRUED EXPENSES			
1.	Other accrued expenses	III. 4	285.910,09	0
C.	LIABILITIES	III. 5		
1.	Trade accounts payable		93.521,40	0
2.	Due to affiliated companies		364.185,22	0
3.	Sonstige Verbindlichkeiten		62.289,28	25
	thereof from taxes DM 23.130,68 (previous year TDM 0)			
	therof for social security			
	DM 29.617,17 (previous year TDM 0)			
			519.995,90	25
			34.182.139,26	384
	Contingent liabilities	III. 6	17.869.957,78	0

init - innovation in traffic systems Aktiengesellschaft, Karlsruhe
Statement of operation from January 01, 2001 to December 31, 2001

	2001	2000
	DM	TDM
1. Revenues	672.724,02	0
2. Other operating income	7.156,10	0
3. Personell expenses		
a) Salaries and wages	655.542,74	0
b) Payroll deductions and expenses for retirement benefits	48.406,14	0
	703.948,88	
4. Other operating expenses	4.828.934,20	34
5. Interest and similar income	275.948,85	2
thereof from affiliated companies		
DM 131.476,73 (previous year: TDM 0)		
6. Interest and similar expenses		
thereof from affiliated companies		
DM 0,00 (previous year TDM 0)	227,94	0
7. Annual deficit	-4.577.282,05	-32
8. Loss carried forward from the previous year	-32.370,43	
9. Accumulated loss	-4.609.652,48	

*Appendix – Financial Year 2001
init innovation in traffic systems Aktiengesellschaft, Karlsruhe*

I. Basis of the report

The annual financial statement of December 31, 2001 was accumulated according to the legal regulations of the German Commercial Code and to the complementary regulations of the German Stock Corporation Law. The regulations for big corporations in terms of § 267, 3 (2) HGB (German Commercial Code) are valid. The statement of operations is compiled according to the total expenditure format. Comparing the figures of 2001 with those of 2000 it is to regard, that the company was established on August 18, 2000 and has performed it's function as a holding for the subsidiaries since then. The result in 2001 is burdened with nonrecurring expenses for the IPO with an amount of TDM 4.064.

II. Principles of balancing and accounting

The following, in comparison to the previous year unchanged principles of balancing and accounting were applicable for the statement:

Tangible fixed assets

Financial investments are accounted with their acquisition costs.

Current assets

Trade accounts receivable and receivables from affiliated companies and other assets are accounted with their nominal value. According to § 253, 3 HGB (German Commercial Code) securities are accounted with their acquisition costs less the necessary depreciation.

Accrued expenses and liabilities

The accruals accommodate all identifiable risks and unsettled commitments. Liabilities are balanced with their repayable amounts.

III. Details to single balance sheet items

1. Financial investments

The development of the items of the fixed assets is presented in the schedule of assets on the next page.

For the statement of shareholding in other companies we refer to schedule IV/3.

Development of the non-current assets from January 1, 2001 until December 31, 2001

	Historical and manufacturing costs				Accumulated amortisations/depreciations				Book value	
	01.01.01 DM	payed in DM	payed out DM	31.12.01 DM	01.01.01 DM	payed in DM	Abgänge DM	31.12.01 DM	31.12.01 DM	31.12.00 TDM
I. Financial investments										
1. Shares in affiliated companies	0,00	20.198.872,37	0,00	20.198.872,37	0,00	0,00	0,00	0,00	20.198.872,37	0
2. Loans to affiliated companies	0,00	3.000.000,00	0,00	3.000.000,00	0,00	0,00	0,00	0,00	3.000.000,00	0
	0,00	23.198.872,37	0,00	23.198.872,37	0,00	0,00	0,00	0,00	23.198.872,37	0

2. Receivables

The trade accounts receivable and the other current assets have maturities up to one year.

Receivables from affiliated companies amounting to TDM 571 concern with TDM 525 trade accounts receivable and are due within one year.

The other current assets amounting to TDM 284 consist substantially of tax refund.

3. Securities

Securities include parts of a interest bearing money market funds and a floater.

4. Equity

The subscribed capital of the init AG amounts to TEuro 10.000 (TDM 19.558) at December 31, 2001. It is paid-up and divided into 10,000,000 bearer shares and has a calculable share value of the capital stock of Euro 1.00 for each share.

The equity of the init AG has developed as follows:

	Capital stock	Additional paid-in capital	Accu- mulated loss	Total
	TDM	TDM	TDM	TDM
Capital stock on December 31, 2000	391			391
Annual deficit 2000			-32	-32
Equity capital on December 31, 2000	391		-32	359
Raise of the capital stock by contribution in kind on March 3, 2001	11.772			11.772
Raise of the capital stock by cash contribution on March 30, 2001	1.405			1.405
Raise of the capital stock by cash contribution on April 27, 2001	2.078			2.078
Agio		2.390		2.390
Raise of the capital stock by cash contribution on July 16, 2001	3.912			3.912
Agio		16.037		16.037
Annual deficit 2001			-4.577	-4.577
Equity capital on December 31, 2001	19.558	18.427	-4.609	33.376

With the approval of the Supervisory Board, the Managing Board is authorized to increase the company's capital stock by TEuro 4.000 by May 18, 2006 through a single or multiple issue of around 4,000,000 ordinary shares against contributions in cash or contributions in kind. The new shares will be transferred to credit institutes which will take on the commitment offering them for purchase by investors. However, with the approval of the Supervisory Board, the Managing Board will be authorized to withdraw the pre-emptive right, so that up to 800,000 new shares can be issued at a price which does not substantially

exceed the stock market value of the company's shares at the time of fixing the issue price. This is for the settlement of peak amounts, to open up additional capital markets, to purchase shares, to acquire or merge with other companies or parts of companies through the introduction as investment in kind and to surrender up to 250,000 new shares as an employee shareholding.

5. Other accruals

Other accruals were substantially accumulated for accounting and auditing expenses (TDM 100), salaries of the Supervisory Board and royalties (TDM 74), vacation entitlements (TDM 73), flexible work time funds (TDM 29) and trade accounts payable (TDM 8).

6. Liabilities

All liabilities have maturities up to one year.

Liabilities due to affiliated companies (TDM 364) concern trade accounts payable.

The other liabilities include income and church tax for the settlement period December 2001 amounting to TDM 23 and liabilities for social security amounting to TDM 30.

7. Contingent liabilities

At balance sheet date contingent liabilities consist of jointly and severally liabilities for bank debts amounting to TDM 123 and for bank guarantees amounting to TDM 17.747 in favour of INIT Innovative Informatikanwendungen in Transport-, Verkehrs und Leitsystemen GmbH, Karlsruhe (previous year TDM 0).

IV. Other Details

1. Managing Board and Supervisory Board

Managing Board

Dr. Gottfried Greschner, Karlsruhe	Graduate in engineering (Chairman, since 25.04.2001)
Mr. Joachim Becker, Karlsruhe	Graduate in informatics (since 25.04.2001)
Mr. Wolfgang Degen, Karlsruhe	Graduate in engineering (FH) (since 25.04.2001)
Mr. Bernhard Smolka, Stutensee	Graduate in economics (since 01.06.2001)
Mrs. Maria Jäger, Karlsruhe	Accountant for INIT GmbH (till 25.04.2001)

Supervisory Board

Mr. Roland Staib, Karlsruhe	Graduate in engineering, Head of Projects & Sales of INIT GmbH, Chairman of the Supervisory Board, (till 05.07.2001)
Mrs. Eila Greschner, Karlsruhe	Multilingual Secretary, Vice Chairman of the Supervisory Board, (till 05.07.2001)
Mrs. Andrea Weyh, Karlsruhe	Lawyer (till 29.01.2001)
Mr. Mathias Engel, Frankfurt a.M.	Graduate in economics, self-employed Business Economist, temporary CFO of INIT GmbH (from 29.01.2001 to 05.07.2001)
Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau, Meerbusch	Consulting engineer with special subject ÖPNV (Public Transport). Chairman of the Supervisory Board (since 05.07.2001), Member of the Advisory Board of the Berliner Verkehrsbetriebe, Member of the Advisory Board of BT Transport GmbH, Berlin, Member of the Advisory Committee of Kiepe GmbH, Duesseldorf
Mr. Bernd Koch, Lahr	Self-employed Business Consultant, Vice Chairman of the Supervisory Board, (since 05.07.2001), Member of the Advisory Committee of the IHK (German Chamber of Commerce) Training Center in Karlsruhe
Mr. Fariborz Khavand, Wuppertal	Self-employed Business Consultant and Chairman, (since 05.07.2001), Member of the Advisory Board of Rhön Residence GmbH & Management KG (Partnership)

Information on the salaries of the members

In their capacity as board members and departmental heads of the companies total salaries amounting to TDM 1.574 were granted. The total salaries of the members of the Supervisory Board amounted to TDM 29 in 2001. TDM 22 of which have been accrued.

2. Employees

With November 1, 2001 14 employees were taken over from INIT GmbH. Before that init AG had no employees.

3. Shareholding in other companies

Company	Seat	Equity capital	Share in %	Result
INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH	Karlsruhe (D)	TDM 3.878	100%	TDM 1.839
INIT Innovations in Transportation, Inc.	Chesapeake, VA (USA)	TUSD 1.062	100%	TUSD 29

At balance sheet date the exchange rate for the US-Dollar was DM 2,20798.

Karlsruhe, February 22, 2002


The Managing Board



Dr. Gottfried Greschner



Bernhard Smolka



Achim Becker



Wolfgang Degen

Auditors Report

We have submitted the following auditors report for the final audit and the management report:

„We have examined the final audit of init - innovation in traffic systems Aktiengesellschaft, Karlsruhe under inclusion of the accounting and the management report for the financial year from January 1, 2001 to December 31, 2001. The legal agents of the company are responsible for accounting and the creation of the final audit and management report due to German Commercial Code regulations. Based on our examinations it is our task to evaluate the final audit under inclusion of the accounting and the management report.

We undertook our final audit in compliance with the German auditing directives, taking into consideration the generally accepted accounting principles for final audits as laid-down by the IDW (German Institute of Accountants). Accordingly, the audit had to be planned and conducted with sufficient certainty in a manner, that incorrect declarations and offences, affecting the presentation of the asset status, the financial situation and the profitability significantly, are identified with sufficient sureness. In the fixation of the auditing acts all knowledge about the operational activities and the economic and legal environment of the company as well as the estimations of errors have been considered. Within the framework of this examination, the verification of the assessment of values and the declarations made in the final audit are based on random sampling. The examination includes the evaluation of the applied accounting principles and the essential estimates by the legal agents as well as the regard of the overall impression of final audit and management report. We are of the opinion that our audit forms a reliable basis upon which our judgement has been made.

Our audit has not led to any objections being made.

It is our opinion that the final audit under inclusion of the principles of duly accounting gives a true representation of the company's asset status, the financial situation and the profitability. Overall the management report truthfully represents the company's situation and the risks involved in future development.

Mannheim, February 23, 2002

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

U. Matner
Accountant

T. Reiter
Accountant